

Message Text

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SUBJ: RICE STRATEGY

REF: A. BANGKOK 3519

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1. INTRODUCTION AND SUMMARY: THE PURPOSE OF THIS MESSAGE IS TO ALERT WASHINGTON TO THE DANGER THAT THE COMBINATION OF A TEMPORARY GLUT ON THE WORLD RICE MARKET, CAUSED BY DRAMATIC INCREASES IN RICE PRODUCTION IN THE U.S. DURING THE 1974 CROP YEAR, AND THE SUBSEQUENT AGGRESSIVE SALE OF THIS RICE CROP THROUGHOUT ASIA IN MARKETS WHICH THAILAND CONSIDERS TRADITIONALLY ITS OWN COULD HARM OUR RELATIONS WITH THE RTG, THEREBY THREATENING OUR LONG-TERM POLITICAL AND STRATEGIC INTERESTS IN THAILAND. END SUMMARY.

2. POLITICAL BACKGROUND. AS EVERYONE WHO FOLLOWS THAI AFFAIRS KNOWS, THE THANOM-PRAPHAT REGIME FELL IN OCTOBER OF 1973. IN THEIR PLACE KING PHUMIPHON ADUNYADET APPOINTED A CIVILIAN GOVERNMENT UNDER THE PREMIERSHIP OF A FORMER UNIVERSITY PROFESSOR AND JUDGE, SANYA THAMMASAK. SINCE THIS UPHEAVAL, THE RTG HAS BEEN CONSISTENT IN TELLING THE

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U.S. EMBASSY THAT IT WISHES TO MAINTAIN THAILAND'S SPECIAL

RELATIONSHIP WITH THE U.S., BUT TO SHIFT FROM WHAT THE SANYA GOVERNMENT PERCEIVES AS AN OVER-CONCENTRATION ON MILITARY COOPERATION AND SECURITY AFFAIRS TO MORE CONCERN WITH THE ECONOMIC RELATIONSHIP OF THE TWO COUNTRIES. IN ORDER TO ACHIEVE THIS CHANGE OF EMPHASIS THE RTG HAS, INTER ALIA, REQUESTED THE EMBASSY'S ASSISTANCE IN SECURING A NUMBER OF SPECIFIC ECONOMIC CONCESSIONS FROM THE U.S. SUCH AS INCREASED SUGAR AND TEXTILE QUOTAS, EXPRESSED ITS INTENTION TO RE-NEGOTIATE THE THAI-U.S. AID BILATERAL AGREEMENT, AND ASKED FOR CONSULTATIONS ON THE FULL RANGE OF THAI-U.S. ECONOMIC RELATIONS IN WASHINGTON, D.C.

3. ALTHOUGH THE EMBASSY, WITH WASHINGTON'S COOPERATION, HAS BEEN ABLE TO BE RESPONSIVE TO SEVERAL OF THE THAI REQUESTS FOR MORE EMPHASIS ON THE ECONOMIC SIDE THE THAI-U.S. RELATIONSHIP, THE U.S. HAS BEEN UNABLE TO GIVE A CLEARLY POSITIVE RESPONSE TO THAILAND'S DESIRE FOR A BETTER OVERALL RELATIONSHIP.

4. SHORT-TERM GLUT IN THE RICE MARKET: WHILE I WAS ON CONSULTATION AT THE DEPARTMENT OF AGRICULTURE IN WASHINGTON, I LEARNED THAT INCREASED ACREAGES SOWN TO RICE AND THE PROSPECT FOR RELATIVELY FAVORABLE WEATHER IN THE U.S. THIS CROP YEAR MIGHT PRODUCE A TEMPORARY GLUT IN THE PRODUCTION OF RICE. THE U.S. AND THAILAND CONTRIBUTE TOGETHER APPROXIMATELY 50 PERCENT OF THE TOTAL WORLD TRADE IN RICE. THAILAND'S RICE EXPORTS EARNED SOME 20 PERCENT OF ITS FOREIGN EXCHANGE IN 1972, WHILE U.S. RICE EXPORTS REPRESENT 1 PERCENT OF TOTAL U.S. FOREIGN EXCHANGE EARNINGS. MORE-OVER, ALMOST 80 PERCENT OF U.S. RICE EXPORTS, THE GREAT MAJORITY UNDER THE PL 480 PROGRAM, GO TO THE RICE-EATING AREAS OF ASIA. A TEMPORARY GLUT IN RICE PRODUCTION IN THE U.S. QUITE PROBABLY WILL RESULT IN INCREASED EFFORTS BY AMERICAN EXPORTERS TO SELL LARGER QUANTITIES OF RICE IN ASIAN MARKETS WHICH THAILAND CONSIDERS ITS OWN.

5. THUS, AT THE VERY TIME THAILAND IS PRESSING THE U.S. FOR ECONOMIC CONCESSIONS, WITH UNEVEN RESULTS SO FAR, THE VIABILITY OF THE WHOLE THAI ECONOMY MIGHT BE CHALLENGED BY U.S. EFFORTS TO SELL RICE IN ASIA, PARTICULARLY IF THIS
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SHOULD BE DONE UNDER PL 480.

6. OUR ENEMIES IN THAILAND, WHO HAVE BECOME MORE STRIDENT IN THEIR CRITICISM DURING THE PERIOD OF INTELLECTUAL AND PRESS FREEDOM WHICH HAS CHARACTERIZED THE SANYA GOVERNMENT, COULD EASILY USE THIS CONDITION TO BROADEN SUPPORT IN THAILAND FOR POLICIES THEY HAVE LONG ADVOCATED, INCLUDING: (1) COMPLETE AND PRECIPITOUS WITHDRAWAL OF ALL U.S. FORCES FROM THAILAND;

(2) REMOVAL OF ALL U.S. MILITARY AND CIVILIAN INSTALLATIONS
SAVE THE U.S. MISSION COMPLEX, AND (3) AN INCREASINGLY TOUGHER
LINE IN CONTROLLING U.S. INVESTMENTS AND BUSINESS INTERESTS
IN THAILAND.

7. EMBASSY PROPOSAL FOR A SOLUTION: INTERNATIONAL
EXPERTS ON THE WORLD FOOD SITUATION AGREE THAT THE LONG
TERM TRENDS IN DEMAND FOR FOOD GRAINS WILL CHALLENGE
PRODUCER COUNTRIES' PRODUCTIVE CAPACITY TO KEEP PACE. WHAT
WE ARE DISCUSSING IN THE RICE MARKET IN THIS MESSAGE IS
A SHORT-TERM GLUT, LASTING FOR PERHAPS ONE OR TWO YEARS,
DURING THE TRANSITION PERIOD FROM A SURPLUS TO A SHORTAGE
SUPPLY-DEMAND PICTURE IN INTERNATIONAL RICE TRADE. ON THE
OTHER HAND, OUR LONG-TERM STRATEGIC INTERESTS IN THAILAND
HAVE AN ENORMOUS VALUE FOR THE SECURITY OF THE U.S. VALUABLE
U.S. INSTALLATIONS WHICH EXIST IN THAILAND ARE EXCEPTIONALLY
IMPORTANT TO THE MOST VITAL SECURITY INTERESTS OF OUR COUNTRY.
WE MUST REALIZE THAT OUR RELATIONSHIP WITH THAILAND IS OF
A NATURE THAT INABILITY TO MAKE CONCESSIONS ON AN ECONOMIC
ISSUE WILL AFFECT OUR POLITICAL, MILITARY, AND STRATEGIC
RELATIONSHIP WITH THE RTG.

8. CONSIDERATION SHOULD BE GIVEN TO SEVERAL COURSES OF
ACTION:

A. ESTABLISHMENT OF A RICE RESERVE: THE PURPOSE
OF THIS RICE RESERVE WOULD BE TO PURCHASE FROM AMERICAN FARMERS
THAT EXCESS QUANTITY OF RICE WHICH MIGHT OTHERWISE GO INTO
INTERNATIONAL TRADE, DRIVE DOWN RICE PRICES AND, IN SO DOING,
DAMAGE OUR RELATIONSHIP WITH THE RTG.

B. VOLUNTARY RESTRICTIONS ON U.S. RICE SALES:
THE U.S. GOVERNMENT SHOULD IMPLEMENT A POLICY OF VOLUNTARY
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RESTRAINTS ON RICE SALES TO MARKETS WHICH THAILAND CONSIDERS
TRADITIONALLY ITS OWN. SUCH A POLICY WOULD LIMIT U.S. RICE
SALES IN HONG KONG, INDONESIA, SINGAPORE AND MALAYSIA AND
MAINTAIN APPROPRIATE LIMITS ON CONCESSIONAL PL-480 SALES
IN ASIA.

C. DISCUSSIONS: IN ORDER TO WORK OUT THE MODALITIES
UNDER WHICH THE U.S. GOVERNMENT WOULD ATTEMPT TO BE
RESPONSIVE TO THAILAND'S VITAL NATIONAL INTERESTS, THE SUBJECT
OF COOPERATION IN THE INTERNATIONAL RICE TRADE SHOULD BE
DISCUSSED AT THE WASHINGTON ECONOMIC CONSULTATIONS PROPOSED AND
AGREED UPON IN REFTELS.

D. DIPLOMACY: THE U.S. GOVERNMENT SHOULD STIMULATE
INTERNATIONAL DISCUSSIONS IN AN EFFORT TO STABILIZE THE

WORLD RICE MARKET. THESE DISCUSSIONS SHOULD ENCOURAGE
ACTIONS BY PRODUCER AND CONSUMER COUNTRIES TO ENSURE
ADEQUATE SUPPLIES AND AVOID SHARP RICE FLUCTUATIONS, WHILE
PRESERVING TRADITIONAL MARKET RELATIONSHIPS.
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